



## Special News Release For State Distributing Agencies

**October 2001 Edition**

School Year 2002 is well on its way, and USDA has gotten off to a good start in administering the commodity programs at the Federal level. USDA continues to be very involved with making program improvements. Since the school year is just beginning, we want to update State Distributing Agencies on the recent changes that may affect the way you administer the commodity program this school year.

For more information on any of these issues, you can visit the Food Distribution web site at: <http://www.fns.usda.gov/fdd/MENU/fd2000/updates/stateupdates.htm>. If you have questions, please email the Director of the Food Distribution Division at [fdd-pst@fns.usda.gov](mailto:fdd-pst@fns.usda.gov).

### Commercial Labels and New Record-Keeping Methods

Manufacturers now have the option to use commercial labels on all Group B products, except flour. They will be permitted on flour beginning in March 2002. Commercial labels on all Group A commodities will be permitted beginning in School Year 2002/2003. This move is meant to reduce delivery delays, increase competition, and lower program costs.

We developed and tested a record-keeping system that will eliminate the need for schools to keep separate records for commodity inventory and purchased inventory. We are offering States the opportunity to use the revised inventory record-keeping system on a voluntary basis. States who choose to use it will be granted a waiver from Federal regulations that require reporting commodity inventory separate from purchased inventory. The [July 13, 2001 waiver and record-keeping guidance](#) is available on the web. FDD is drafting proposed regulations to revise record-keeping requirements.

### Computer Connectivity From School to State

We are developing a new web-based ordering system that will allow information to flow between school districts, States, and USDA. If schools do not have a computer available, the State may collect data manually and enter it at the State level, contract with an outside entity to collect the data, or set up a central school site that could collect and enter manual submissions. Once the system is in place, it will replace EDI.

Schools will be able to order commodities in the quantities they need (within the product and quantity limits offered) and obtain status of purchases and delivery information from the system. States will continue to oversee the process and will have the option to decide whether or not they will use the new system.

Industry partners will have access to information that will allow them to better plan their production and delivery schedules. Of equal importance, school districts will be notified and updated immediately of food safety problems.

The development team, which is made up of Federal, State, and school representatives, is working with a contractor to design a prototype system. The prototype will be offered to selected pilot States in School Year 2003. In School Year 2004, we expect to make this system available to any State that wishes to use it. [Status reports](#) regarding this system are available on our web site.

## National Processing Program

This school year, USDA initiated a pilot project to determine the effectiveness of National Processing Agreements. Five processors are participating in the initial project. They are:

- [Fruit pie category processors](#) – Lamb Weston (formerly Holly Ridge Foods), Horizon Snack Foods (Cutie Pie), and Wawona Foods, and
- [Egg processors](#) – Sunny Fresh and Michael's Foods.

Each National agreement will contain a set of End Product Data Schedules that were approved at the National level for formulation and yield information. The agreements will be one-year contracts that can be extended. Product distribution will remain the same as under the State processing contracts.

USDA will require the processor to have only one bond for total inventory protection. States will be responsible for resolving issues directly with processors. If it ever becomes necessary to call a bond or portion thereof, the responsibility will be at the Federal level.

State participation in this pilot is optional and the processors will be canvassing you for your involvement. You will still be able to enter into State processing agreements with Single State Processors. If you decide to continue your own State processing contract, the processor will continue to need a separate bond for your State.

The National Processing Agreement [participation guidance](#), issued August 8, 2001, is available on our web site. In order to get started, you only need to declare that you will participate under the National program. Notify your regional office of this decision and of the inventory level of each commodity at the particular processor. The Region will notify the FNS headquarters.

## Other Significant Issues in Commodity Processing

This past spring and throughout the summer there have been several other announcements regarding changes in commodity processing and demonstration and pilot projects. As a result, notices, memoranda, and guidance have been issued. To ensure all partners are aware of the information communicated, we have listed below the documents that have been issued, with a brief explanation of their contents.

[Notice to Trade - Poultry Programs](#) - On March 8, 2001, AMS and FNS jointly announced the option to process under a substitution demonstration project for School Year 2001/2002 and solicited demonstration projects to expand to standard yield processing.

[Federal Register Notice May 30, 2001- Livestock Substitution Waiver](#) - This notice extends the substitution waiver demonstration program for beef and pork products through June 30, 2003.

[Notice to Trade - Livestock Programs](#) - On July 13, 2001, AMS and FNS jointly announced the option to process under a substitution demonstration project and the availability of the AMS Process Control Certification Program (PCCP). The notice also announced that PCCP proposals with a guaranteed return option may be submitted for review and approval to AMS Livestock Grading Branch.

**Guidance Memorandum - PCCP Guaranteed Return Option** - Food Distribution Division issued guidance on July 18, 2001, outlining the PCCP guaranteed return option requirements.

**Guidance Memorandum - Poultry Substitution** - On September 18, 2001, FNS issued guidance regarding poultry processing reporting under the substitution waiver. The guidance explains the role of the grading forms PY-210 (PPA) and PY-209 (PRA). It also explains state monthly performance report adjustments necessary to accommodate the substitution process.

The Food Distribution web site **State Processing home page** has been updated with the processing guidance documents mentioned above. We have also posted on our web site a listing of all processors approved to participate in a School Year 2001/2002 demonstration or pilot project, as of September 1, 2001.

### **Relaxed Truckload Requirements**

This school year, USDA has expanded the multi-stops pilot (i.e., two stops and a final) to four States: Texas, Colorado, Kentucky, and Florida. This fall the Senior Oversight Committee will be deciding whether or not to make this option available nationwide, beginning in School Year 2002/2003.

### **Hold and Recall Procedures**

On July 12, 2001, we issued new procedures designed to clarify and streamline holds and recalls of commodities distributed through schools and other commodity nutrition programs. This process is used when a food safety issue is raised about a USDA purchased commodity.

These new procedures specify Federal, State, and local agency roles and obligations. They also improve communication at all levels, and speed up the reimbursement process.

Questionable product can now be removed quickly from schools and other recipient agencies in a safe and systematic manner. The USDA **Commodity Hold and Recall Procedures** are available on our web site.

### **Single-Point-of-Contact Web Site**

We are developing a prototype of a single-point-of-contact web site that will provide constituents with links to a wealth of commodity information that is now spread out over a number of USDA and other Federal web site locations. We are also working on a prototype of a Resources Directory that will link visitors to the USDA office or agency that can best respond to their specific questions or concerns based on the subject matter or issue.

Another feature of the "one-stop" web site will be an electronic commodity acceptability survey form. Schools will be able to enter their comments about our commodities on-line using this form. This state of the art system will allow USDA to analyze and evaluate acceptability data and prepare reports more quickly.

For more information on any of these issues, you can visit the Food Distribution web site at:

<http://www.fns.usda.gov/fdd/MENU/fd2000/updates/stateupdates.htm>

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*Prepared by the Program Support Branch in conjunction with the Schools and Institutions Branch, USDA, FNS, FDD.*